

Message Text

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ORIGIN ARA-10

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 AGR-05 TAR-01 FEA-01 INT-05 L-02 H-02

DODE-00 PA-01 PRS-01 (ISO) R

DRAFTED BY USOAS;AWNOONAN;DR

APPROVED BY USOAS;JWFORD

ECP-CREYNOLDS (SUBS)

EB-WEINGARTEN (SUBS)

S/S - JLHOGANSON

S - MR. ADAMS

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R 110122Z MAY 75

FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

INFO USMISSION USUN NY

C O N F I D E N T I A L STATE 109706

E.O. 11652: GDS

TAGS:OASGA

SUBJECT: OASGA - PRIVATE DISCUSSIONS - COMMODITIES -

MAY 9, 1975

USDEL - D-3

1. SUMMARY: URUGUAY DESCRIBED IN SOME DETAIL ITS
BALANCE OF PAYMENTS PROBLEMS RESULTING FROM RISING
IMPORT COSTS AND DECLINING EXPORT EARNINGS, AND SUGGESTED
SEVERAL WAYS OF DEALING WITH PROBLEM. VENEZUELA ARGUED
ALONG USUAL LINES THAT OIL PRICES ALONE ARE NOT RESPONS-
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BLE FOR SUCH PROBLEMS. CHAIRMAN SUMMED UP BY STATING
THAT NEW INTERNATIONAL ECONOMIC ORDER IMPLIES A REVO-
LUTION IN THE WORLD ECONOMY, ESPECIALLY IN LATIN AMERICA.
END SUMMARY.

2. ON FRIDAY AFTERNOON, MAY 9, THE FOREIGN MINISTERS (WITH SECRETARY KISSINGER PRESENT) DISCUSSED SITUATION IN DEVELOPING STATES AS A RESULT OF INCREASED PRICES FOR IMPORTED RAW MATERIALS AND INDUSTRIAL GOODS, AND DECLINING EXPORT MARKETS. URUGUAY, WHICH HAD REQUESTED THAT THE SUBJECT BE PLACED ON THE AGENDA, CITED FOUR FACTORS AS RESPONSIBLE FOR THE PROBLEM: INCREASE IN

IMPORT COSTS; DECREASE IN EXCHANGE EARNINGS; MARKET

RESTRICTIONS ON EXPORTS, AND DECREASE IN INDUSTRIAL ACTIVITY IN DEVELOPED COUNTRIES. AFTER STATING THAT CURRENT ACCOUNT DEFICITS FOR LATIN AMERICA AS A WHOLE HAD RISEN FROM THREE BILLION DOLLARS IN 1973 TO TWELVE BILLION DOLLARS IN 1974, HE DESCRIBED MULTILATERAL ASSISTANCE RESOURCE AS INADEQUATE. HE SPECIFICALLY MENTIONED THAT URUGUAY WAS ABLE TO COVER ONLY FIFTY-FOUR MILLION DOLLARS OF ITS ONE HUNDRED AND TWENTY-ONE MILLION DOLLAR OIL DEFICIT FROM THE IMF OIL FACILITY. HE CALLED FOR ASSURED MARKETS AND REASONABLE PRICES, PARTICULARLY FOR FOOD EXPORTS, AND MADE SUGGESTIONS FOR DEALING WITH THE PROBLEM; AMONG WHICH WERE:

A) ALL COUNTRIES SHOULD INSTRUCT THEIR REPRESENTATIVES IN INTERNATIONAL FINANCIAL INSTITUTIONS TO PROVIDE FOR FINANCING FOR THE MOST SERIOUSLY AFFECTED COUNTRIES, AS THE US AND VENEZUELA HAVE;

B) AN INTERAGENCY GROUP TO PROVIDE NEW FINANCIAL MECHANISMS;

C) BILATERAL EFFORTS TO EXPAND TRADE;

D) AN INTERAGENCY EFFORT BY IBRD AND UNDP TO DEAL WITH THE PROBLEMS OF MARKETS AND EXPORT PRICES FOR AGRICULTURAL COMMODITIES;
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E) AN EMERGENCY FUND FOR BOP PROBLEMS, AND FOR AGRICULTURAL DEVELOPMENT.

HE ENDED BY REMINDING ALL OF NEED TO WORK FOR BOTH EMERGENCY AND LONG RANGE SOLUTIONS.

3. VENEZUELA REPLIED BY DENYING THAT OIL PRODUCERS ARE RESPONSIBLE FOR BOP PROBLEMS. VENEZUELA SUFFERS INFLATION JUST LIKE EVERYONE, AND OIL CONTRIBUTES ONLY A FRACTION OF THE TOTAL INFLATION. HE DENIED VENEZUELA IS LOOKING FOR ECONOMIC DOMINATION OF LATIN AMERICA, AND CALLED FOR COOPERATIVE EFFORTS TO HELP SOLVE THE PROBLEMS. HE AGREED THAT THERE IS A NEED

TO REFORMULATE THE WORLD ECONOMIC ORDER, POINTED TO SOLIDARITY BETWEEN OIL PRODUCERS AND NON-PRODUCERS DEMONSTRATED AT DAKAR, ALGIERS AND PARIS, AND HOPED FOR ACTIONS TO FOLLOW THE EXPRESSIONS OF GOODWILL.

4. CHILE JOINED URUGUAY IN DESCRIBING PROBLEMS IT IS FACING, THOUGH NOT IN SAME DETAIL, AND EL SALVADOR FACING THOUGH NOT IN SAME DETAIL, AND EL SALVADOR

SUGGESTED THAT PERHAPS SOME SORT OF RESERVE FUND BE CREATED WHICH COULD HOLD EXCESS EXPORT EARNINGS WHICH COULD LATER BE DISTRIBUTED TO PARTICIPATING COUNTRIES TO STABILIZE THEIR PAYMENTS BALANCES DURING LEAN YEARS. MEXICO PROPOSED CERDS AS THE BASIS FOR SHARED PROGRESS.

5. COMMENT: AS DURING MORNING DISCUSSION OF TRADE ACT, STATEMENTS WERE STRAIGHTFORWARD, MODERATE AND EXPOSITORY.

6. US DID NOT INTERVENE. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, IMPORTS, FOREIGN MINISTERS MEETINGS, DIPLOMATIC DISCUSSIONS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE109706
Document Source: ADS
Document Unique ID: 00
Drafter: USOAS;AWN00NAN;DR
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: D750165-0105
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197505101/baaaajhw.tel
Line Count: 132
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2003 by CunninFX>; APPROVED <01 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ETRD, EFIN, XS, XM, XL, OAS
To: ALL AMERICAN REPUBLIC DIPLOMATIC POSTS INFO USUN NY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006